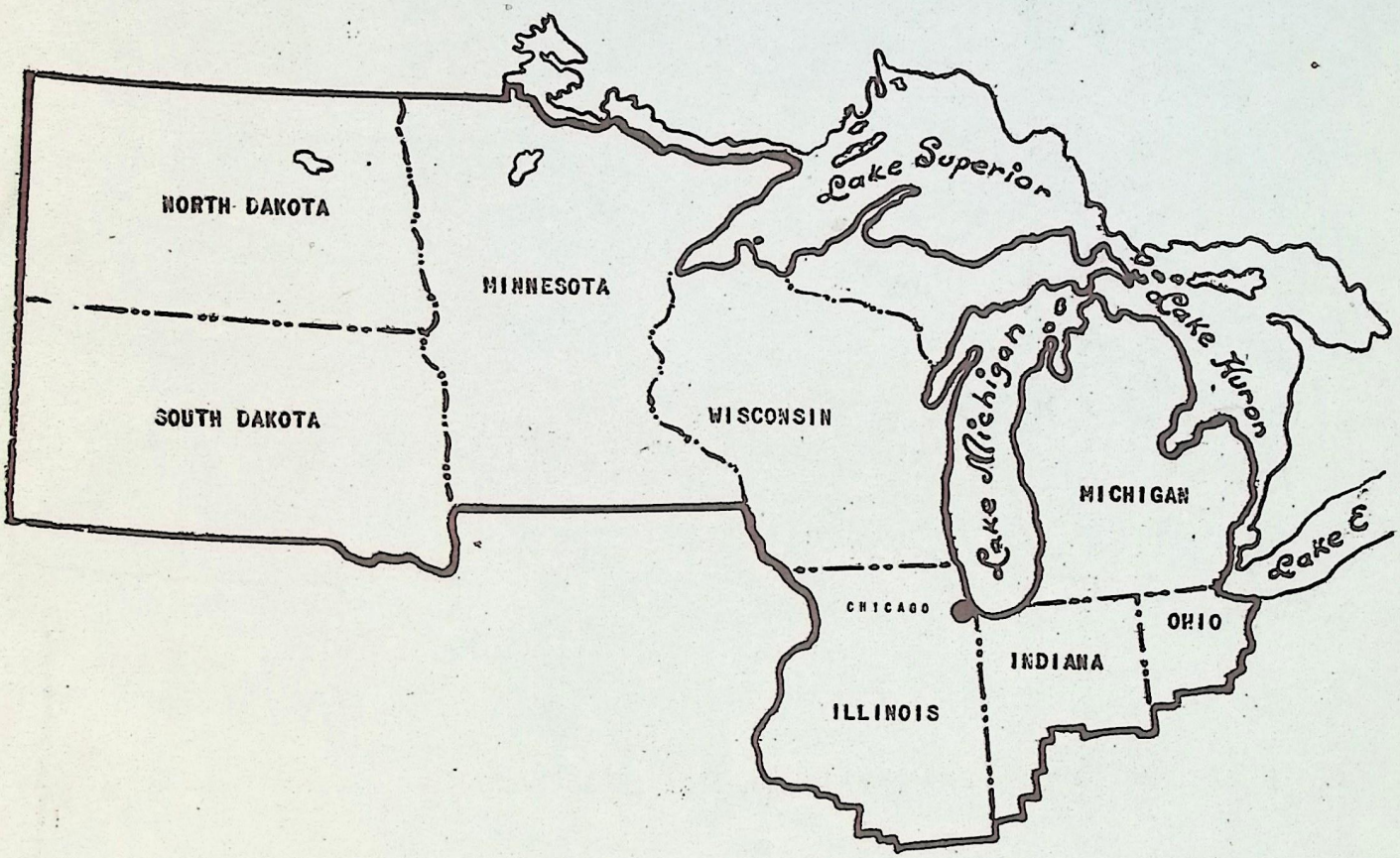
WAR ASSETS ADMINISTRATION

CHICAGO REGION

OPERATIONS DIGEST

MARCH 15, 1948



PREPARED

BY

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REPORTS CONTROL BRANCH

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Table 1
Operating Statement
Consumer & Capital Goods
January 1947-February 1948

1947	End-of-Month Inventory $	Acquisitions $	Disposals $	Recovery Rate %
January	308,887,000	2,627,000	37,438,000	26
February	318,538,000	29,167,000	19,515,000	21
March	308,477,000	12,362,000	22,417,000	22
April	306,313,000	20,623,000	22,786,000	18
May	284,432,000	-1,145,000	20,732,000	14
June	274,975,000	23,954,000	33,407,000	11
July	177,716,000	-70,024,000	27,234,000	14
August	242,052,000	83,660,000	19,320,000	16
September	245,071,000	23,645,000	20,622,000	16
October	239,436,000	12,089,000	17,725,000	15
November	216,706,000	-2,137,000	20,582,000	11
December	186,889,000	-1,153,000	28,669,000	16
1948				
January	129,621,000	-43,577,000	13,694,000	15
February	116,238,000	9,409,000	22,790,000	24

Inventories

New declarations of $9.3 million in February accounted almost in full for regional net acquisitions of $9.4 million. A net transfer of $5.0 million from the "suspense" account to the IBM inventory was largely offset by bookkeeping adjustments which reduced the IBM inventory by $4.5 million. Approximately 60% of these $4.5 million bookkeeping adjustments involved the elimination of "water" from the IBM inventory thrcugh reconciliation operations.

Disposals

February disposals of $22.8 million were the 4th highest of any month in the last year. JANNAT disposals plus scrap disposals accounted for $19.4 million of this total. Net sales ($2.5 million), excluding scrap, were the lowest in the region's history.

This sharp drop in February sales can be traced, to a large extent, to the low level of sales to manufacturers. Whereas manufacturers have usually bought as much property from the Chicago region as have all other buyers combined, in January and February cancellations of previous months' sales to manufacturers exceeded total sales to manufacturers in January and February.

Recovery Rate

The February recovery rate of 24% was the highest of any month in the last year. A rather unusual requirement in accounting procedure contributed to this high rate of recovery. Washington procedure specifies that the sale of property, which WAA itself has transferred from a commodity-section inventory to the scrap inventory, must be recorded as an "other disposal" rather than as a sale. In February the Chicago region sold $5.2 million of production-equipment which the region, itself, had transferred into the scrap inventory. If this transaction, which had a recovery rate of less than 1%, had been classified as a sale, the over-all February recovery rate would have been 8% instead of 24%.

Target

Table 2
Consumer & Capital Goods Operations
Chicago Master Region
February 1948

(in 000's of $)

	Chicago	Detroit	Minneapolis	Total
Opening Inventory	$129,619	$90,276	$15,561	$235,456
Net Acquisitions	9,409	2,448	-1,900	9,957
Sales	2,506	5,896	1,508	9,910
Other Disposals	20,284	7,512	830	28,626
Total Disposals	22,790	13,408	2,338	38,536
Disposal Target	26,271	12,789	1,953	41,013
Recovery Value	600	1,003	354	1,957
Recovery Rate	24%	17%	24%	20%
Closing Inventory	$116,238	$79,316	$11,323	$206,877

The Chicago region came closer to its $26 million disposal-target in February than in January. However, again in February Chicago was the only region of the 3 regions that will eventually comprise the "Chicago Master Region" to fall short of its disposal-target. Both Detroit and Minneapolis exceeded their February targets. Moreover, sales comprised a greater percentage of Detroit's and Minneapolis' total disposals than they did of Chicago's.

Offerings

Inventory offered for sale in February amounted to $11.8 million, a 4% increase over January. Preliminary reports indicate that there will be no great increase in the total amount of inventory offered for sale in March over February. On the other hand, most offerings in March will be on a sealed-bid and spot-bid basis, and since these types of sales have been the most effective in the past, regional sales in March should exceed sales in February. However, although March's sales should be considerably larger than February's, March's sales will probably be among the lowest in the region's history due to the relatively small amount of inventory offered for sale in March.

Analysis of Sales

An analysis of 97 offerings which closed in the last 3 months discloses that the region has sold 56% of its fixed-price offerings, 71% of its sealed-bid offerings, and 99% of its spot-bid offerings. These 97 offerings comprised approximately 90% of all offerings which closed in the December-February period. The remaining 10% consisted mainly of scrap, electronic, aircraft, and machine-tool offerings which were excluded from this analysis because their disposal rates differ markedly from the disposal-rates of other categories of property. Generally, scrap, electronic, and aircraft offerings sell out completely whereas machine-tool offerings have usually had lower disposal rates than have most other classes of property.

This analysis of recent offerings points up how the relative importance of various regional problems has drastically changed within a period of 6 to 8 months. Last summer a failure to sell a larger percentage of the inventory offered for sale primarily accounted for the failure to meet disposal targets. In the last 3 months the disposal rate on regional offerings has increased considerably but at the same time the amount of property offered for sale has declined sharply. If the Chicago region in the last 3 months had maintained the level of offerings reached last summer ($100-$110 million per month), disposals in the December-February period would have been double the regional disposal-targets and the Chicago inventory would now be close to zero.

Status of Inventory

In the last month the region carried out preliminary plans for increasing the level of offerings in the April-June period. However, in the last month no progress was made in increasing the level of current offerings or of offerings scheduled for sale in the immediate future. On February 6 only $16 million of inventory was currently on sale, held in Customer Service and scheduled

for future sale, or being programmed by the Sales Planning Division. A month later on March 5 this figure had increased to only $17 million.

This low level of offerings can still be attributed to the fact that almost 90% of the $143 million regional inventory (March 5) is not available to the Sales Planning Division for programming. Most of this inventory is withheld from sale for the warehouse deactivation program or pending reconciliation operations. Of the $126 million of unprogrammed inventory, $46 million was frozen for the warehouse deactivation program, $31 million was held by the Accounting Division for reconciliation in its "98" and "suspense" accounts, $21 million was frozen for the JANMAT program, $10 million was held for reconciliation by the Office of Stock Control, $10 million was withheld from sale in connection with the sale of the Dodge Plant to the Tucker Corporation, $6 million was withheld from sale at Gary Armor Plate (AP-121) for real-property purposes, and $2 million was distributed in miscellaneous categories.

The largest portion of the Minneapolis-region inventory is also unavailable for sale. Of the $11 million March 1 inventory, only $2 million or 19% was either programmed for sale or being programmed for sale. Of the remaining $9 million, $3.8 million was undergoing reconciliation by Stock Control and $2.6 million was awaiting owning-agency withdrawal. An additional $2.4 million represented recent disposals that were being documented. Since March 1, the Minneapolis region has entered $23 million into its suspense-inventory account. This $23 million represents inventory recently transferred to Minneapolis from Chicago. Within the next several weeks this inventory will be transferred back to Chicago.

Warehouse Deactivation

Table 3
Warehouse Deactivation Progress

	No. of Whses.	Base* Tons	Feb. 29 Tons	% Deactivated Feb. 29
Chicago	15	233,531	114,586	51
Detroit	11	147,904	37,286	75
Minneapolis	3	38,632	18,789	51
Total	29	420,067	170,661	59

*March 1947 or subsequent date when WAA assumed control.

Of the original 29 warehouses scheduled for deactivation, 11 had been deactivated by February 29. Of the total tonnage, 59% had been deactivated by that date. The Chicago Master Region is also accountable for 5 retained warehouses having 80,855 tons.

Income & Expense

Table 4
Income & Expense
February 1948

	Millions of $
Total Income	
Capital & Consumer Goods Sales	$0.60
Real Property Sales	1.09
Rents & Interest	0.57
Total	$2.26
Total Expense	
Salaries & Wages	$0.69
Rents & Utilities	0.19
Warehouse Operation Costs	0.05
Plant Clearance	0.02
Travel	0.02
Reimbursements to Owning Agencies	0.02
Transportation of Property	0.02
Supplies & Materials	0.02
Other	0.03
Total	$1.06
Excess of Income over Expense	$1.20

Net income in February was the lowest in the region's experience. This low level of income was due primarily to the fact that income from consumer & capital goods sales and from real property sales both slumped in February. Income from capital & consumer goods sales in February was the lowest on record and income from real-property sales was the lowest in the last 6 months.

The record low level of February's income from consumer & capital goods sales occurred in spite of the fact that the region sold a normal percentage of the property offered for sale in February and realized the best recovery rate in the last year on the property sold. The low level of February's offerings primarily accounts for the low level of February's income from capital & consumer goods sales.

Salaries & wages, the region's largest item of expense, were at an all-time low in February. However, total expenses (funds obligated) increased about 20% in February over January. The lower level of January's total expenses was due to the transfer to the

Minneapolis region in January of the cumulative obligations of warehouses #7 and #12 for the July 1, 1947-January 31, 1948 period. This transfer reduced January's total obligations from $1.1 million to $0.9 million.

Complaints

Customer complaints pending on March 5 numbered 102 which represented a 10% reduction in the last month. The number of such complaints received has varied greatly from week to week, but there has been no appreciable tendency for such complaints to decline over the past several months. No single factor has been the leading cause for complaint week after week, but the common characteristics of most complaints are that many customers feel that WAA's sales and delivery service is too slow and poor in quality.

Shipping Backlog

The regional backlog of shipments on commercial orders increased from 466 on January 5 to 999 on March 5. This increase occurred in spite of the fact that weekly shipments were larger in this period than were average weekly shipments in the two preceding months. Among the factors responsible for the increased backlog were: (1) The Warehousing Division received more commercial orders for shipment per week in the period starting January 5 than it received weekly in the preceding month, (2) The Warehousing Division also received more orders for JANMAT shipments in this same period, (3) The workload of the Warehousing Division increased when it was assigned the duty of checking regional sales catalogs for "availability" (Regional Director's Order No. 107, January 22).

This delay in shipments has caused considerable customer protest as evidenced by the fact that in the 2-month period between January 5 and March 5 the regional Complaint & Expediting Section received 166 customer complaints regarding delays in delivery.

Claims

In February the Chicago region settled more claims (327) than in any other month in the last 4 months. A record number of overpaid accounts (605) was also closed out in February. Although fewer new claims were received in February than in January, new claims received in February covered 23% of average monthly gross sales in the November-January period. In other words, a customer claim was filed covering $1 out of every $4 of sales. In January this ratio was 1 to 2 instead of 1 to 4. A survey by the Washington

WAA office indicates that, for all regions in the aggregate, new claims received in January covered 50% of average monthly sales in the October-December period.

The Detroit region, having taken over NAPO claims, has both received and settled more claims than has the Chicago region, and on February 29 Detroit had 952 unsettled claims pending vs. 622 in Chicago. However, Detroit's backlog of overpaid accounts (52) was smaller than Chicago's (483). Minneapolis on February 29 had 45 unsettled claims plus 19 overpaid accounts.

Present reporting procedure does not require a listing of the causes of claims. However, reports covering past months indicate that shortages in delivery and misrepresentation of property in selling have generally caused the most claims.

Personnel

Chicago-region personnel on February 29 numbered 2,021, a reduction of 85 employees as compared with January 31. Total employment in the Chicago, Detroit, Minneapolis, and former Zone 3 offices (the offices comprising the new Master Region) on February 29 numbered 4,158. In January employment in these offices numbered 4,227. An increase of 57 employees in the Detroit office during the month of February partly offset reductions in the other offices cited.

Real Property

Table 5
Real Property Operations
Chicago, Minneapolis, Detroit
February 1948

Opening Inventory	$287,000,000
Adjustments & Transfers	21,734,000
Acquisitions	-
Disposals	15,034,000
Recovery Value	2,836,000
Rentals	529,000
Protection & Maintenance Expense	56,000
Closing Inventory	$294,602,000

Outlook

The recent slump in the stock and commodity markets has had no appreciable effect on the markets for property comprising the largest segment of the regional inventory. With the exception of machine tools and construction machinery, the demand for industrial equipment still exceeds the current output of private firms producing such equipment. On the other hand, although certain types

of machine tools are still in short supply, the machine-tool industry generally is operating at only 50% of capacity and machine-tool firms are preparing now for a substantial anticipated export demand for machine tools under the Marshall Plan.

The magnitude of the export demand for industrial machinery and machine tools will depend largely upon the amount of money Congress appropriates for the Marshall Plan in the next month. Tentatively 34% of the Administration's $5.5 billion first-year Marshall-Plan appropriation is scheduled for capital goods purchases. However, if Congress cuts this appropriation to $5 billion or less, the full cut is likely to be made from the funds scheduled for capital goods purchases. Congress also has under consideration loan-programs for China and Latin America which may eventually call for large capital-goods shipments to these countries, but these measures are unlikely to take effect for several months, at least.

Two significant events occurred in the metals market in recent weeks. Leading steel companies increased their prices on certain types of steel products, and large steel mills, for the first time in many months, made substantial purchases of steel scrap. These larger mills are not expected to reenter the steel-scrap market again for another month when spring weather and better transportation will increase the iron and steel scrap supply. The import into this country of steel scrap from Europe started this month, but collection-difficulties abroad will probably limit such imports to a low level for some months to come.

The demand for most non-ferrous metals still far exceeds the supply, but non-ferrous scrap, with the exception of lead scrap, presently has a very inactive market. The inventories of non-ferrous scrap dealers are now large and these dealers are generally confining further purchases to their regular sources of supply. The slump in the non-ferrous scrap market has been due partly to a gas shortage which has curtailed operations of metal refineries. In the Chicago WAA region, cancellations of previous months' non-ferrous sales in February exceeded February's total non-ferrous sales.

The textile and apparel industries have also experienced a definite slump in the last month or two. Responsibility for this slump has been laid primarily to consumer resistance to recent price increases in these fields. As with non-ferrous metals, cancellations of previous months' clothing and apparel sales in the Chicago region in February exceeded February's total clothing and apparel sales.